

ORIGINAL

OPEN MEETING

MEMORANDUM



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TO: THE COMMISSION

DOCKETED

2016 MAR 23 P 4: 02

FROM: Utilities Division

MAR 23 2016

DATE: March 23, 2016

DOCKETED BY

KK

AZ CORP COMMISSION
DOCKET CONTROL

RE: IN THE MATTER OF SOUTHWEST GAS CORPORATION—APPLICATION FOR APPROVAL OF ITS PROPOSAL TO REVISE THE RATE COLLECTED THROUGH ITS DEMAND-SIDE MANAGEMENT ADJUSTOR MECHANISM (DOCKET NO. G-01551A-16-0033)

On January 29, 2016, Southwest Gas Corporation ("Southwest" or "the Company") filed its application to reset its Demand-Side Management ("DSM") adjustor rate. This application requests a decrease in the adjustor rate, from \$0.00838 per therm to \$0.00421 per therm. Once approved by the Commission, the reset rate is then effective through March 31st of the next year.

The purpose of the DSM adjustor mechanism is to recover the cost of the Company's Commission-approved DSM programs. Southwest files an application each year to reset its DSM adjustor rate. The DSM adjustor rate is calculated to align it with projected spending for the upcoming year, and to true-up existing over- or under-collections.

DSM Portfolio

Programs. On May 28, 2015, Southwest filed an application for approval of its Energy Efficiency and Renewable Energy Resource Technology Portfolio Implementation Plan. (Docket No. G-01551A-15-0168.) Southwest is requesting approval to continue its existing programs with some modifications and also proposes to reinstate its SGB Commercial Rebates program, using measures found to be cost-effective. The current Southwest DSM programs are the following:

- SGB Homes
- SGB Custom Commercial (Business) Rebates
- SGB Distributed Generation
- SGB Weatherization and Low-Income Energy Conservation (weatherization and bill assistance)
- SGB Solar Thermal Rebates

Budget and Participation. Southwest proposes to continue its current \$4.7 million budget. In communication with Staff, Southwest indicated that it will more fully utilize the requested budget if the SGB Commercial Rebates program is reinstated. Southwest has also been seeing interest in its

Combined Heat and Power program and anticipates a high level of participation in its Homes program.

Staff notes that generally increasing participation in the Southwest energy efficiency portfolio would increase energy savings and move Southwest toward meeting the Standard. Staff recommends that Southwest continue to work toward increasing participation in all of its programs, to the extent that this can be done on a cost-effective basis.

Calculation of Adjustor Rate

The calculations for the Company's proposed DSM adjustor rate are shown in the table below.

SURCHARGE CALCULATION TABLE	
Total Budget	\$4,700,000
DSM Balancing Account Balance @ December 31, 2015	(\$2,073,153)
Estimated Surcharge Recoveries, January-March 2016	(\$1,938,508)
Estimated Surcharge Accruals, January-March 2016	\$1,909,052
Total to be recovered	\$2,597,391
Less low-income recovery: 10,798,669 X \$0.00200 per therm	(\$21,597)
Non-low income amount to be recovered	\$2,575,794
Non-low-income therms applicable to surcharge	611,117,827
DSM Surcharge Rate per therm: Recovery Amount/Applicable Therms	\$0.00421

Recovery for low-income customers is limited to \$0.00200 per therm as per the rate case settlement agreement (Decision No. 72723, January 6, 2012). This limitation is taken into account in calculating the per-therm DSM surcharge, as shown in the Surcharge Calculation table.

Staff recommends that the Commission approve the requested decrease from \$0.00838 per therm to \$0.00421 per therm rate. This rate will decrease the likelihood of a significant over-collection while still covering the costs of the DSM programs.

Bill Impact

The monthly impact of the existing and proposed per therm rates are shown in the tables below. The Summer, Winter, and Annual averages refer to monthly therm usage by Residential customers.

**Average Monthly Impact of Current Rate
(Residential)**

Period	Therms	Per-therm Rate	Impact
Summer	11	\$0.00838	\$0.09
Winter	41	\$0.00838	\$0.34
Annual	26	\$0.00838	\$0.22

**Average Monthly Impact of Proposed Rate
(Residential)**

Period	Therms	Per-therm Rate	Impact
Summer	11	\$0.00421	\$0.05
Winter	41	\$0.00421	\$0.17
Annual	26	\$0.00421	\$0.11

Summary of Recommendations

Staff recommends the following:

- that the Southwest Gas Corporation's Demand-Side Management Adjustor rate be reset to \$0.00421 per therm, effective May 1, 2016.
- that Southwest Gas Corporation continue to work toward increasing participation in all of its programs, to the extent that this can be done on a cost-effective basis.



for Thomas M. Broderick
Director
Utilities Division

TMB:jmk:nr\CHH

ORIGINATOR: Julie McNeely-Kirwan

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 DOUG LITTLE

Chairman

3 BOB STUMP

Commissioner

4 BOB BURNS

Commissioner

5 TOM FORESE

Commissioner

6 ANDY TOBIN

Commissioner

7
8 IN THE MATTER OF THE APPLICATION
9 OF SOUTHWEST GAS CORPORATION
10 FOR APPROVAL TO REVISE THE RATE
11 COLLECTED THROUGH ITS DEMAND-
12 SIDE MANAGEMENT ADJUSTOR
13 MECHANISM.

DOCKET NO. G-01551A-16-0033

DECISION NO. _____

ORDER

12 Open Meeting
13 April 12 and 13, 2016
14 Phoenix, Arizona

15 BY THE COMMISSION:

16 **FINDINGS OF FACT**

17 1. Southwest Gas Corporation ("Southwest" or "the Company") is engaged in providing
18 natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation
19 Commission.

20 2. Southwest serves approximately one million customers in the counties of Gila, La Paz,
21 Cochise, Graham, Maricopa, Pima, Greenlee, Mohave, Pinal and Yuma. Of these customers,
22 approximately 990,000 are Residential, while 40,000 are Commercial. Southwest also serves a smaller
23 number of Industrial, Irrigation and Transportation customers.

24 **Background**

25 3. On January 29, 2016, Southwest filed its application to reset its Demand-Side
26 Management ("DSM") adjustor rate. This application requests a decrease in the adjustor rate, from
27 \$0.00838 per therm to \$0.00421 per therm. Once approved by the Commission, the reset rate is then
28 effective through March 31st of the next year.

4. The purpose of the DSM adjustor mechanism is to recover the cost of the Company's Commission-approved DSM programs. Southwest files an application each year to reset its DSM adjustor rate. The DSM adjustor rate is calculated to align it with projected spending for the upcoming year, and to true-up existing over- or under-collections.

DSM Portfolio

5. Programs. On May 28, 2015, Southwest filed an application for approval of its Energy Efficiency and Renewable Energy Resource Technology Portfolio Implementation Plan. (Docket No. G-01551A-15-0168.) Southwest is requesting approval to continue its existing programs with some modifications and also proposes to reinstate its *SGB* Commercial Rebates program, using measures found to be cost-effective. The current Southwest DSM programs are the following:

- *SGB* Homes
- *SGB* Custom Commercial (Business) Rebates
- *SGB* Distributed Generation
- *SGB* Weatherization and Low-Income Energy Conservation (weatherization and bill assistance)
- *SGB* Solar Thermal Rebates

6. Budget and Participation. Southwest proposes to continue its current \$4.7 million budget. In communication with Staff, Southwest indicated that it will more fully utilize the requested budget if the *SGB* Commercial Rebates program is reinstated. Southwest has also been seeing interest in its Combined Heat and Power program and anticipates a high level of participation in its Homes program.

7. Staff notes that generally increasing participation in the Southwest energy efficiency portfolio would increase energy savings and move Southwest toward meeting the Standard. Staff has recommended that Southwest continue to work toward increasing participation in all of its programs, to the extent that this can be done on a cost-effective basis.

Calculation of Adjustor Rate

8. The calculations for the Company's proposed DSM adjustor rate are shown in the table below.

SURCHARGE CALCULATION TABLE	
Total Budget	\$4,700,000
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DSM Surcharge Rate per therm: Recovery Amount/Applicable Therms	\$0.00421

9. Recovery for low-income customers is limited to \$0.00200 per therm as per the rate case settlement agreement (Decision No. 72723, January 6, 2012). This limitation is taken into account in calculating the per-therm DSM surcharge, as shown in the Surcharge Calculation table.

10. Staff has recommended that the Commission approve the requested decrease from \$0.00838 per therm to \$0.00421 per therm rate. This rate will decrease the likelihood of a significant over-collection while still covering the costs of the DSM programs.

Bill Impact

11. The monthly impact of the existing and proposed per therm rates are shown in the tables below. The Summer, Winter, and Annual averages refer to monthly therm usage by Residential customers.

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Annual	26	\$0.00421	\$0.11

CONCLUSIONS OF LAW

1
2 1. Southwest is an Arizona public service corporation within the meaning of Article XV,
3 Section 2, of the Arizona Constitution.

4 2. The Commission has jurisdiction over Southwest and over the subject matter of the
5 application.

6 3. The Commission, having reviewed the application and Staff's Memorandum dated
7 March 29, 2016, concludes that it is in the public interest to approved the per therm adjustor rate as
8 discussed herein.

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ORDER

IT IS THEREFORE ORDERED that the Southwest Gas Corporation's Demand-Side Management Adjustor rate be reset to \$0.00421 per therm, effective May 1, 2016.

IT IS THEREFORE ORDERED that Southwest Gas Corporation continue to work toward increasing participation in all of its programs, to the extent that this can be done on a cost-effective basis.

IT IS FURTHER ORDERED that this Order shall take effect immediately

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2016.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB:jmk:nr/CHH

Decision No. _____

1 SERVICE LIST FOR: Southwest Gas Corporation
2 DOCKET NO. G-01551A-16-0033

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21 Arizona Corporation Commission
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